

**WRITTEN STATEMENT OF
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U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**



**HEARING ON
“PUBLIC HOUSING IN THE 21ST CENTURY: HUD’S VIEW ON THE
FUTURE OF PUBLIC HOUSING IN THE UNITED STATES”**

**BEFORE THE
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

JULY 18, 2006

Chairman Turner, Ranking Member Clay, distinguished Members of the Subcommittee:

On behalf of Secretary Alphonso Jackson, thank you for the opportunity to share our views on the current and future direction of Public Housing in the United States. This is a timely opportunity, as public housing is at an important crossroads. The need for affordable housing and structural problems of the public housing program beg a reconsideration of how this precious asset is best used to serve the most people. At the same time, lessons learned from programs like HOPE VI and Moving to Work (MTW) highlight important reforms that might be applied to the entire public housing portfolio.

The statutory and regulatory environment in which public housing currently operates is characterized by complexity, inflexibility, and centralized control.

The management and operation of the public housing program has evolved into a system of centralized rules, applied uniformly across America. While on the surface this appears to be a sound approach to delivering a national asset, it has resulted in an inflexible program that is not easily adapted to the specific needs of a single community or a troubled development. In fact, these assets are not national at all, instead they are completely local and housing authorities should be given more control over the management of these resources.

In our current system, the management focus is not on the property or asset, but instead on the agency as a whole. This approach undermines effective oversight and unnecessarily results in micromanagement of PHAs. The same rules that were enacted to safeguard program quality have, in many instances, resulted in poorer quality housing. Because of this outdated oversight system, we have handcuffed the ability of local agencies to respond to the needs of each individual asset.

By the 1990s our existing system had produced 100,000 troubled and severely distressed public housing units. It has taken the Department over a decade to address this legacy of good intentions and failed policy through HOPE VI, the Capital Fund program, and other initiatives. The work is ongoing.

While the goal of the public housing program should be to ease the burden of low-income Americans by providing them with a simple and affordable housing option, the current system makes this helping hand its own heavy burden.

By making eligible income the basis on which rent is determined, the current system discourages honesty and work. In addition, the processes for calculating rent and verifying income are onerous, often inaccurate, and can result in significantly different rents for similar households. Often, resident attention is focused more on mastering the system to reduce their rent, rather than securing true self-sufficiency.

In a twist of unintended consequences, our current rent system has become a trap of lowered aspirations and often is viewed as a lifetime entitlement for tenants who might otherwise achieve greater independence. This has the unfortunate outcome of dramatically reducing the total number of individuals that can be served by the program.

Even more troubling is that our current system encourages leaseholders to deny the existence of family members so they are not listed on the lease.

These issues are particularly problematic given that we know public housing is not an entitlement and that many families are on waiting lists for this limited resource, especially in larger cities. Since HUD cannot serve every American family who would be eligible for our programs, we need to find a better solution for transitioning people to self-sufficiency so others can benefit from this resource.

Having said this about the current system, I want to be very clear about the status of elderly and disabled within any proposed reforms. Nothing we intend to do will change the protected status of elderly and disabled residents within the public housing program.

We propose a much different future for public housing.

We feel strongly that the statutory and regulatory environment governing public housing should be simple, flexible, and progressive. Public housing authorities should be given greater authority to locally manage their developments.

Central among these policy shifts will be the transition to asset management, which will likely have the most dramatic impact on the industry as it goes forward. This approach will focus on the sustainability of each property, and allow housing authorities to become true asset managers, in-line with the private sector. Today, housing authorities own and operate billions of dollars in assets, yet the value of these assets is generally unavailable for securing loans, private investment, and other forms of leverage. Moving our entire portfolio of 1.2 million units to this asset management model will create untold opportunity for greater sustainability, development of new and improved affordable housing options, and linkages to private financing that were previously unavailable.

As we move our physical portfolio toward a market model, we also need to take steps to ensure our reformed system treats the beneficiaries of public housing in a progressive and humane way. Housing authorities should be authorized to simplify how they charge tenant rent, particularly for the elderly and disabled. They should also be allowed to set rents based on local conditions, increased expectations, and efforts to promote self-sufficiency. At the same time, elderly and disabled should be protected classes within this system, and exempt from these increased expectations.

In the interest of making the most of a limited asset and in transforming public housing from a life time entitlement to a temporary resource, housing agencies in the MTW Program are already experimenting with term limits in concert with rent reform and employment incentives. The hope is these reforms will allow more families to cycle through the system, ultimately serving more Americans from our waiting lists. For example, a housing agency could establish any number of rent reforms, including flat rents, percentage of income, tiered rents or some combination of these and other rent reforms. They could combine this with escrow accounts that accelerate the growth of resident assets and independence. Housing agencies should also increasingly couple this with incentives to move up a housing ladder within their own system. Under such a framework, a housing agency could develop a plan with each resident that moves them

from public housing, to Section 8, to a Low Income Housing Tax Credit unit in a HOPE VI development, and, finally, a private market apartment or homeownership. The idea would be to move them through the system, and assist them at each level as they take on greater responsibility for their own housing, with the ultimate goal of achieving self-sustainability by joining the record number of homeowners in the United States.

The Administration's vision for public and rent assisted housing includes the opportunity for homeownership. Some may not be aware, but HUD has a successful Homeownership Voucher program that has paved a path for low-income Americans to become homeowners. Homeownership counseling, strong and committed collaborations among PHAs, and assistance from local non-profits and lenders have proven to be an essential component in making this program work for families across the country.

Over 8,000 low-income families moved from the Section 8 rental program and became homeowners during the program's first 4 years. By the end of FY 2007, the program will provide homeownership opportunities for approximately 10,000 families.

Another key, homeownership initiative put forward by the Secretary is legislation to revitalize the Federal Housing Administration (FHA). FHA has traditionally been invaluable to helping first time and minority homebuyers who are low and moderate income achieve homeownership. Over the last several years, a failure to amend 72-year old provisions in the Housing Act has left FHA with inflexible regulatory burdens and statutory requirements that prevent it from updating products. Legislation in the House and Senate, HR 5121 and S 3535, would make valuable changes to again allow greater access to homeownership with safe, amortizing mortgage loans for more low-income families.

The President's vision for an ownership society correctly focuses on the reality that homeownership helps families create wealth they can use for so many purposes like expanded educational opportunity. The point is to keep available affordable homeownership opportunities for low-income families.

In closing, I want to stress public housing is valuable to low-income Americans, and should be improved to ensure it serves these families in a more progressive and humane way. During the last seventy years, public housing has served millions of low-income American families. Our challenge is to ensure that we can enable that program to serve millions more for another seventy years.

Thank you for the opportunity to discuss these important issues with you today, I look forward to working with you on public housing reform as we take this program into the future.